

WEST BRANCH TOWNSHIP

MARQUETTE COUNTY, MICHIGAN

FINANCIAL STATEMENTS

AND

ADDITIONAL INFORMATION

FOR THE YEAR ENDED MARCH 31, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name West Branch Township	County Marquette
Audit Date 3/31/05	Opinion Date 11/17/05	Date Accountant Report Submitted to State: 1/10/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Cowell & LaPointe, P.C.			
Street Address 101 S. FRONT ST., STE. 309	City Marquette	State MI	ZIP 49855
Accountant Signature <i>Georgia J. LaPointe</i>		Date 2/20/06	

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WEST BRANCH TOWNSHIP, MICHIGAN

Management's Discussion and Analysis

Our discussion and analysis of the West Branch Township, Michigan's financial performance provides an overview of the Township's financial activities for the year ended March 31, 2005. Please read it in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- The Township's net assets are being reported for the first time under GASB 34. As such, no comparisons with prior years will be made. In future years, comparative information will be presented in various schedules throughout the Management's Discussion and Analysis.
- During August, 2004, the Township's net assets increased by \$2,250,000 with the acquisition of the Community Center at no cost. After acquisition, \$235,000 was borrowed for improvements to the center. Further discussion follows under Business Type Activities.
- During the year, the Township had expenses for governmental activities that were \$304,343 and revenues of \$229,581.
- The General Fund reported a net fund balance of \$446,869.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements for governmental activities tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide statements by providing information about the Township's most significant funds. The remaining statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside the government.

REPORTING THE TOWNSHIP AS A WHOLE

The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities. These reports help to provide detailed information as to whether the Township, as a whole, is better off or worse off as a result of the year's activities.

The statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Township's net assets and changes in them.

WEST BRANCH TOWNSHIP**Management's Discussion and Analysis – Continued****REPORTING THE TOWNSHIP AS A WHOLE - Continued**

In a condensed format, the table below shows a comparison of the net assets as of the current date.

West Branch Township Total Net Assets – Governmental and Business-Type Activities

	Governmental Activities As of 03/31/05	Business-Type Activities As of 03/31/05	Total As of 03/31/05
Current Assets	\$446,982	\$ 6,319	\$ 453,301
Interfund Receivables	48,269	<48,269>	
Capital Assets - net	<u>200,521</u>	<u>2,538,352</u>	<u>2,738,873</u>
Total Assets	<u>\$695,772</u>	<u>\$2,496,402</u>	<u>\$3,192,174</u>
Current Liabilities	\$ 32,058	\$ 70,557	\$ 102,615
Noncurrent Liabilities	<u>18,383</u>	<u>224,950</u>	<u>243,333</u>
Total Liabilities	<u>\$ 50,441</u>	<u>\$ 295,507</u>	<u>\$ 345,948</u>
Net Assets			
Invested in Capital Assets			
-Net of Related Debt	\$200,521	\$2,306,234	\$2,506,755
Unrestricted	<u>444,810</u>	<u><105,339></u>	<u>339,471</u>
Total Net Assets	<u>\$645,331</u>	<u>\$2,200,895</u>	<u>\$2,846,226</u>

Total Net Assets stood at \$2,846,226 as of fiscal year end March 31, 2005, while Total Liabilities stood at \$345,948.

WEST BRANCH TOWNSHIP**Management's Discussion and Analysis – Continued****REPORTING THE TOWNSHIP AS A WHOLE - Continued**

The following table shows the changes of the net assets as of March 31, 2005. Because West Branch Township's net assets are being reported for the first time under GASB 34, no comparative information for prior years is available.

West Branch Township – Change in Net Assets

	Governmental Activities <u>As of 3/31/05</u>	Business-Type Activities <u>As of 3/31/05</u>	Total <u>As of 3/31/05</u>
Program Revenues			
Charges for Services	\$ 5,309	\$ 49,421	\$ 54,730
Operating Grants and Contributions	3,386	47,646	51,032
Capital Grants and Contributions		2,250,000	2,250,000
Property Taxes	44,224		44,224
Swamp Taxes	1,068		1,068
Licenses & Permits	5,551		5,551
State Shared Revenues	128,330		128,330
Interest Earnings	23,080		23,080
Rentals	50	12,795	12,845
Metro Authority	1,497		1,497
Miscellaneous	<u>20,472</u>	<u>1,771</u>	<u>22,243</u>
Total Program Revenues	<u>\$232,967</u>	<u>\$2,361,633</u>	<u>\$2,594,600</u>
Program Expenses			
General Government	\$208,253	\$	\$ 208,253
Public Works	5,158		5,158
Community/Economic Development	55,896		55,896
Recreation and Culture	<u>28,244</u>	<u> </u>	<u>28,244</u>
Total Program Expenses	<u>297,551</u>	<u> </u>	<u>297,551</u>
Business Type – Community Center	<u> </u>	<u>160,738</u>	<u>160,738</u>
Total Expenses	<u>\$297,551</u>	<u>\$ 160,738</u>	<u>\$ 458,289</u>
Change in Net Assets	<u>\$<64,584></u>	<u>\$2,200,895</u>	<u>\$2,136,311</u>

The Township's net assets increased due to the receipt of the Community Center in August, 2004.

WEST BRANCH TOWNSHIP

Management's Discussion and Analysis – Continued

GOVERNMENTAL ACTIVITIES

Most of the Township's basic services are reported here, including the legislative, elections, public safety, public works, recreation and culture, community and economic development and general services and administration. Property taxes, charges for services and state sources fund most of these activities. The net assets for the Township's governmental activities were \$232,967, while total expenses were \$297,551. More intensive monitoring of budget line items along with timely budget adjustments will insure a balanced budget in the up coming year. The negative amount that is reflected on the joint activities should not have been included in the operating budget but actually was a capital expenditure attributed to a new fire truck.

BUSINESS TYPE ACTIVITIES

The Township took over operations of the Community Center in August, 2004. That is their only business type activity. The Center was the recreation building on the now closed Air Force base. This is a new activity for the Township and although it lost money at start up, it is a significant asset acquired for the Township at minimal cost. The use of Township funds to subsidize the operation along with the money used for building improvements will eventually be returned back into the general fund after the community center becomes self sustaining. The center is expected to become self sustaining in the future.

THE TOWNSHIP'S FUNDS

As West Branch Township, Michigan completed the fiscal year as of March 31, 2005, its Governmental Funds (as presented in the balance sheet) reported combined fund balances of \$466,869, a decrease of \$74,762 from April 1, 2004. The General Fund reported losses in Legislature of \$13,247, in Treasurer of \$156, in Community and Economic Development of \$2,591, and in Other of \$11,034. Due to not performing timely budget adjustments at year end, the losses identified were not corrected. We have implemented more stringent reviews to nullify any further negative budget numbers. We intend to develop a more accurate budget and adjust it on an as needed basis.

Joint Operations with Skandia Township and Sawyer Operations Authority (detailed in Notes to Financial Statements) had expenses exceeding revenues of \$45,460. This negative number is attributable to the new fire truck capital expenditure which was reflected in the operating budget and should have been a capital expenditure. Sawyer Operations in which we have partnered with Forsyth Township will have a greatly reduced operating budget as we have changed the management of the entity from a full time Director to a contract with the Sawyer Community Association to provide administrative responsibilities. Both these joint ventures continue to save West Branch Township money as we share costs in basic services. Currently both joint operations are working within their respective budgets.

WEST BRANCH TOWNSHIP

Management's Discussion and Analysis – Continued

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the year, the Township Board amended the General Fund budget to take into account events taking place during the fiscal year. The amendments resulted in a net increase of \$74,598. However, actual expenditures were \$74,762 greater than revenues, a difference to the amended budget of \$149,360. The main variances are due to the adjustments made to the joint accounts with both Skandia and Forsyth Townships – the new fire truck and ongoing operations at Sawyer, which include street lights and building improvements.

CAPITAL ASSET AND DEBT ADMINISTRATION

As of March 31, 2005, West Branch Township, Michigan had \$2,738,873 invested in a variety of capital assets, mainly the Community Center which was acquired in August, 2004. A breakdown of the Capital Assets is shown below:

West Branch Township Capital Assets as of March 31, 2005 (Net of Depreciation)

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
Capital Assets			
Land	\$ 65,986	\$ 292,435	\$ 358,421
Buildings	122,712	2,245,917	2,368,629
Machinery and Equipment	<u>11,823</u>	<u> </u>	<u>11,823</u>
Total Capital Assets (Net of Depreciation)	<u>\$200,521</u>	<u>\$2,538,352</u>	<u>\$2,738,873</u>

As of March 31, 2005, the Township had \$254,176 in long-term obligations as detailed in Note F to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In preparing the 2005-2006 Budget the Township Board reviewed year-to-date data for all funds, along with reviewing past budget data. The Community Center continues to be subsidized through the Township's fund balance. This activity will have its first full year of operation after the 2005-2006 budget year is complete. The changes in operation and increase in revenue brought in by the Community Center will determine when the fund balance of the Township can be reimbursed. No major capital expenses are planned in either joint activity.

Every attempt has been made to develop a realistic budget from both the revenue and expense perspective.

WEST BRANCH TOWNSHIP

Management's Discussion and Analysis – Continued

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of West Branch Township's finances and to show the Township's accountability for the money it receives.

If you have any questions about this report or need additional information, we welcome you to contact the following:

West Branch Township
1016 County Road 545
Skandia, MI 49885
(906) 942-7400

Board of Trustees
West Branch Township
Marquette County, Michigan

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of West Branch Township, as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of West Branch Township, as of March 31, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the Township has implemented a new financial reporting model as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments*, as amended and interpreted, as of March 31, 2005.

INDEPENDENT AUDITOR'S REPORT – Continued

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2005, on our consideration of West Branch Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis (identified in the table of contents) and budgetary comparison information on pages 32 to 36 are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Branch Township's basic financial statements. The accompanying required supplemental information and other supplemental information, as identified in the table of contents, are not a required part of the basic financial statements. The required supplemental information is presented for the purpose of additional analysis. The required supplemental information and the other supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cowell & LaParante PC
Certified Public Accountants
Marquette, Michigan

November 17, 2005

Board of Trustees
West Branch Township
Marquette County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of West Branch Township as of and for the year ended March 31, 2005, which collectively comprise West Branch Township's basic financial statements and have issued our report thereon dated November 17, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered West Branch Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

COMPLIANCE

As part of obtaining reasonable assurance about whether West Branch Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to the management of West Branch Township in a separate letter dated November 17, 2005.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL - Continued

This report is intended for the information of management, others within the organization, and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

Cowell & Laporte, PC
Certified Public Accountants
Marquette, Michigan

November 17, 2005

WEST BRANCH TOWNSHIP

STATEMENT OF NET ASSETS

March 31, 2005

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash	\$ 21,276	\$ 6,319	\$ 27,595
Investments	420,303		420,303
Accounts receivable	2,831		2,831
Delinquent taxes receivable	2,572		2,572
Interfund receivables	48,269	(48,269)	
Capital assets - net	200,521	2,538,352	2,738,873
Total assets	<u>\$ 695,772</u>	<u>\$ 2,496,402</u>	<u>\$ 3,192,174</u>
Liabilities			
Accounts payable	\$ 17,129	\$ 63,389	\$ 80,518
Accrued payroll, withholdings and benefits	4,877		4,877
Due to other governmental units	6,376		6,376
Long-term liabilities			
Due within one year-			
Bonds and notes payable	3,676	7,168	10,844
Due in more than one year-			
Bonds and notes payable	18,383	224,950	243,333
Total liabilities	<u>50,441</u>	<u>295,507</u>	<u>345,948</u>
Net assets			
Investment in capital assets - net of related debt	200,521	2,306,234	2,506,755
Unrestricted	444,810	(105,339)	339,471
Total net assets	<u>645,331</u>	<u>2,200,895</u>	<u>2,846,226</u>
Total liabilities and net assets	<u>\$ 695,772</u>	<u>\$ 2,496,402</u>	<u>\$ 3,192,174</u>

See accompanying notes to financial statements.

WEST BRANCH TOWNSHIP

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED MARCH 31, 2005

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities						
General government	\$ 208,253	\$ 5,309	\$	\$ (202,944)	\$	\$ (202,944)
Public works	5,158	3,386		(1,772)		(1,772)
Community and economic development	55,896			(55,896)		(55,896)
Recreation and culture	28,244			(28,244)		(28,244)
Total governmental activities	297,551	5,309	3,386	(288,856)		(288,856)
Business-type activities						
Community center	160,738	49,421	2,250,000		2,186,329	2,186,329
Total primary government	\$ 458,289	\$ 54,730	\$ 2,250,000	(288,856)	2,186,329	1,897,473
General revenues						
Property taxes				44,224		44,224
Swamp taxes				1,068		1,068
Licenses and permits				5,551		5,551
State-shared revenues				128,330		128,330
Interest earnings				23,080		23,080
Rentals				50	12,795	12,845
Metro authority				1,497		1,497
Miscellaneous				20,472	1,771	22,243
Total general revenues				224,272	14,566	238,838
Change in net assets				(64,584)	2,200,895	2,136,311
Net assets - April 1, 2004				709,915		709,915
Net assets - March 31, 2005				\$ 645,331	\$ 2,200,895	\$ 2,846,226

See accompanying notes to financial statements.

WEST BRANCH TOWNSHIP

GOVERNMENTAL FUNDS

BALANCE SHEET

March 31, 2005

	<u>General Fund</u>	<u>Nonmajor- Library</u>	<u>Total</u>
Assets			
Cash	\$ 21,276	\$	\$ 21,276
Investments	420,303		420,303
Delinquent taxes receivable	2,572		2,572
Due from other funds	51,100		51,100
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 495,251</u>	<u>\$</u>	<u>\$ 495,251</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 17,129	\$	\$ 17,129
Accrued payroll, withholdings and benefits	4,877		4,877
Due to other governmental units	6,376		6,376
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>28,382</u>	<u> </u>	<u> </u>
Fund Balances			
Unreserved:			
Undesignated	466,869		466,869
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 495,251</u>	<u>\$</u>	<u>\$ 495,251</u>

See accompanying notes to financial statements.

WEST BRANCH TOWNSHIP

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO GOVERNMENTAL NET ASSETS FOR THE YEAR ENDED MARCH 31, 2005

Total Governmental Fund Balances		\$ 466,869
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds.		
The cost of the capital assets is	\$ 279,951	
Accumulated depreciation is	<u>(79,430)</u>	200,521
Long term liabilities that are not due and payable in the current period are not reported in the funds-bonds payable		<u>(22,059)</u>
Net assets of governmental activities		<u><u>\$ 645,331</u></u>

See accompanying notes to financial statements.

WEST BRANCH TOWNSHIP
GOVERNMENTAL FUNDS
STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2005

	General	Nonmajor- Library	Total
Revenues			
Taxes	\$ 25,668	\$ 18,556	\$ 44,224
Licenses and permits	5,551		5,551
State grants	130,895		130,895
Charges for services	5,309		5,309
Interest and rentals	23,130		23,130
Other	20,472		20,472
	<hr/>	<hr/>	<hr/>
Total revenues	211,025	18,556	229,581
Expenditures			
Current			
General government	104,329		104,329
Public works	5,158		5,158
Community and economic development	8,491		8,491
Recreation and culture	9,451	18,556	28,007
Other	145,619		145,619
Capital outlay	12,739		12,739
	<hr/>	<hr/>	<hr/>
Total expenditures	285,787	18,556	304,343
Net Change in Fund Balances	(74,762)		(74,762)
Fund Balances - April 1, 2004	541,631		541,631
	<hr/>	<hr/>	<hr/>
Fund Balances - March 31, 2005	\$ 466,869	\$	\$ 466,869
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to financial statements.

WEST BRANCH TOWNSHIP

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED MARCH 31, 2005

Net Change in Fund Balances - Total Governmental Funds \$ (74,762)

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures; in the
statement of activities, these costs are allocated over their
estimated useful lives as depreciation

Depreciation expense	\$ (5,947)	
Capital outlay	<u>12,739</u>	6,792

Bond principal payment absorbed by Marquette County Solid Waste Management Authority included in the statement of activities	<u>3,386</u>
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Change in Net Assets of Governmental Activities	<u><u>\$ (64,584)</u></u>
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See accompanying notes to financial statements.

WEST BRANCH TOWNSHIP
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
March 31, 2005

	<u>Community Center</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 6,319
Noncurrent assets	
Capital assets, net of accumulated depreciation	<u>2,538,352</u>
Total assets	<u>\$ 2,544,671</u>
Liabilities and Net Assets	
Liabilities	
Current liabilities	
Accounts payable	\$ 63,389
Interfund payables	48,269
Current portion of noncurrent liabilities	<u>7,168</u>
Total current liabilities	<u>118,826</u>
Noncurrent liabilities	
Note payable - building	<u>224,950</u>
Total liabilities	<u>343,776</u>
Net Assets	
Invested in capital assets--net of related debt	2,306,234
Unrestricted	<u>(105,339)</u>
Total net assets	<u>2,200,895</u>
Total liabilities and net assets	<u>\$ 2,544,671</u>

See accompanying notes to financial statements.

WEST BRANCH TOWNSHIP

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED MARCH 31, 2005

	Community Center
Operating revenues	
Membership fees	\$ 38,024
Day passes	10,544
Special programs	853
Grants	9,000
Contributions from local governmental units	36,032
Donations	2,614
Rentals	12,795
Merchandise sales	1,502
Other	269
	<hr/>
Total operating revenues	111,633
Operating expenses	
Personal services	52,888
Professional and contractual	7,004
Supplies	11,020
Plowing and cleaning	3,207
Telephone and internet	707
Transportation	288
Repairs and maintenance	8,319
Utilities	56,213
Advertising	1,102
Bank fees	301
Miscellaneous expenses	494
Resale supplies	1,695
Depreciation	15,558
	<hr/>
Total operating expenses	158,796
Operating income (loss)	(47,163)
Nonoperating revenues (expenses)	
Interest expense	(1,942)
	<hr/>
Income (loss) before contributions	(49,105)
Contribution of land and building	2,250,000
	<hr/>
Change in net assets	2,200,895
Total net assets - April 1, 2004	
Total net assets - March 31, 2005	<hr/>
	<u>\$ 2,200,895</u>

See accompanying notes to financial statements.

WEST BRANCH TOWNSHIP
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2005

	Community Center
Cash flows from operating activities	
Cash charges for services	\$ 63,987
Cash payments to employees for services and cash payments to suppliers for goods and services	(74,320)
Contributions and donations used for operations	38,646
Grants received for operations	9,000
Net cash provided (used) by operating activities	37,313
Cash flows from capital and related financing activities	
Loan proceeds	235,000
Principal paid on note	(2,883)
Purchase of fixed assets	(261,169)
Interest paid on note	(1,942)
Net cash provided (used) by capital and related financing activities	(30,994)
Net increase (decrease) in cash	6,319
Cash - April 1, 2004	
Cash - March 31, 2005	<u>\$ 6,319</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income (loss)	\$ (47,163)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities	
Depreciation	15,558
Changes in assets and liabilities:	
Increase in accounts payable	20,649
Increase in interfund payables	48,269
Net cash provided (used) by operating activities	<u>\$ 37,313</u>

See accompanying notes to financial statements.

WEST BRANCH TOWNSHIP

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
March 31, 2005

	Agency Fund Type- Property Tax Collection Fund
Assets	
Cash	\$ 5,952
Liabilities	
Due to general fund	2,831
Due to other governmental units	3,121
Total liabilities	\$ 5,952

See accompanying notes to financial statements.

WEST BRANCH TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of West Branch Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by West Branch Township.

Reporting Entity

West Branch Township is governed by an elected five-member board and provides services to its residents which include fire protection, sanitation and recreational facilities. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Township's reporting entity, and which organizations are legally separate, component units of the Township. Based on the application of the criteria, the Township does not contain any component units.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

WEST BRANCH TOWNSHIP

NOTES TO FINANCIAL STATEMENTS - Continued **MARCH 31, 2005**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Government-Wide and Fund Financial Statements - Continued

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures related to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual—that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, state-shared revenue, licenses and permits, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

WEST BRANCH TOWNSHIP

NOTES TO FINANCIAL STATEMENTS - Continued
MARCH 31, 2005

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

West Branch Township reports one major governmental fund:

The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

West Branch Township reports one major proprietary fund:

The West Branch Community Center Fund accounts for the operating activities of the Township's recreational services, including the repair and maintenance of its recreational facility.

Additionally, the Township reports the following fund type:

The Property Tax Collection Fund accounts for collection and disbursement of current property tax collections.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to the same limitations. The government has elected to also follow subsequent private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

WEST BRANCH TOWNSHIP

NOTES TO FINANCIAL STATEMENTS - Continued **MARCH 31, 2005**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary fund relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

The Township property tax is levied, due, and becomes a lien each December 1st based on property values located in the Township as of the preceding December 31st. The Township collects property taxes through the last day of February in the succeeding year. On March 1 of the subsequent year, delinquent real taxes are returned to Marquette County for collection. Delinquent personal property taxes remain with the Township and are to be collected by the Treasurer.

The rate to finance general government services for the year ended March 31, 2005 was 1.1596 per \$1,000 of taxable valuation of \$19,177,558. This amount is recognized in the General Fund financial statements as taxes receivable—current or as tax revenue.

WEST BRANCH TOWNSHIP

NOTES TO FINANCIAL STATEMENTS - Continued MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Assets, Liabilities, and Net Assets or Equity - Continued

Receivables and Payables - Continued

Under the provisions of Michigan Compiled Laws 397.213, West Branch Township contracted with the Peter White Public Library for five years to receive library services. The Township agreed to provide 1 mill for the library services of which .9609 mills was levied, raising \$18,463.

Capital Assets - Capital assets, which include land, buildings, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and infrastructure are depreciated using the straight-line method over the following useful lives:

Buildings and other additions	20 - 40 years
Machinery and other equipment	5 - 20 years

Long-Term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data/Reclassifications - Comparative data is not included in the Township's financial statements.

WEST BRANCH TOWNSHIP

NOTES TO FINANCIAL STATEMENTS - Continued MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Assets, Liabilities, and Net Assets or Equity - Continued

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the Township's general fund. The budget document presents information by fund, function, department, and line items. The legal level on budgetary control adopted by the governing body is the line item level. All annual appropriations lapse at fiscal year end.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, West Branch Township incurred expenditures in certain budgeted funds, which were in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Appropriated</u>	<u>Expended</u>	<u>Variance</u>
General Fund:			
General:			
Legislative	\$ 32,750	\$ 45,997	\$13,247
Treasurer	14,850	15,006	156
Community and economic development	5,900	8,491	2,591
Other	134,585	145,619	11,034

The Uniform Budgeting and Accounting Act, PA 2 of 1968, as amended, (MCL 141.421 et seq), provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated.

WEST BRANCH TOWNSHIP

NOTES TO FINANCIAL STATEMENTS - Continued MARCH 31, 2005

NOTE C - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes West Branch Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation; repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchased; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

West Branch Township's deposits and investment policy are in accordance with statutory authority.

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and cash equivalents	\$ 21,276	\$6,319	\$5,952	\$ 33,547
Investments	<u>420,303</u>	<u> </u>	<u> </u>	<u>420,303</u>
Total	<u>\$441,579</u>	<u>\$6,319</u>	<u>\$5,952</u>	<u>\$453,850</u>

The breakdown between cash and investments is as follows:

Checking and savings accounts and certificates of deposit	\$313,714
Investments in bonds and government agency securities	139,936
Petty cash and cash on hand	<u>200</u>
	<u>\$453,850</u>

West Branch Township's bank deposits were \$471,247 of which \$223,589 was covered by federal depository insurance and \$247,658 was uninsured and uncollateralized. The bonds and government agency securities are included in category two of credit risk which means they are uninsured and unregistered, with the securities held by the counterparty's trust department or agent in the government's name.

WEST BRANCH TOWNSHIP

NOTES TO FINANCIAL STATEMENTS - Continued MARCH 31, 2005

NOTE D - CAPITAL ASSETS

Capital asset activity for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 65,986	\$	\$	\$ 65,986
Capital Assets Being Depreciated				
Buildings	201,226			201,226
Machinery and Equipment		12,739		12,739
Subtotal	201,226	12,739		213,965
Less Accumulated Depreciation for				
Buildings	73,483	5,031		78,514
Machinery and Equipment		916		916
Subtotal	73,483	5,947		79,430
Net Capital Assets Being Depreciated	127,743	6,792		134,535
Governmental Activities Capital Total Capital Assets--Net of Depreciation	<u>\$ 193,729</u>	<u>\$ 6,792</u>	<u>\$</u>	<u>\$ 200,521</u>
Business-Type Activities				
Capital assets not being depreciated				
Land	\$	\$ 277,700	\$	\$ 277,700
Improvements other than buildings		14,735		14,735
Subtotal		292,435		292,435
Capital assets being depreciated				
Buildings		2,261,475		2,261,475
Less Accumulated Depreciation for				
Buildings		15,558		15,558
Net Capital Assets Being Depreciated		2,245,917		2,245,917
Business-Type Activities Capital Total Capital Assets--Net of Depreciation	<u>\$</u>	<u>\$ 2,538,352</u>	<u>\$</u>	<u>\$ 2,538,352</u>

WEST BRANCH TOWNSHIP

NOTES TO FINANCIAL STATEMENTS - Continued MARCH 31, 2005

NOTE E - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At March 31, 2005, interfund balances are as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
General	\$51,100	Tax Community Center	\$ 2,831 <u>48,269</u>
Total	<u>\$51,100</u>	Total	<u>\$51,100</u>

NOTE F - LONG-TERM DEBT

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. County contractual agreements and installment purchase agreements are also general obligations of the Township.

Long-term obligation activity can be summarized as follows:

	<u>Balance April 1, 2004</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance March 31, 2005</u>	<u>Due Within One Year</u>
Governmental Activities					
General Obligation Bonds:					
Marquette County Solid Waste Management Authority Bonds					
Amount of issue - \$42,759					
Maturity through 2010	\$ 25,445	\$	\$3,386	\$ 22,059	\$ 3,676
Total governmental activities	<u>\$ 25,445</u>	<u>\$</u>	<u>\$3,386</u>	<u>\$ 22,059</u>	<u>\$ 3,676</u>
Business-Type Activities					
Installment purchase agreements:					
Building improvement note payable					
Amount of issue - \$235,000					
Maturity through 2019	\$	\$ 235,000	\$2,883	\$ 232,117	\$ 7,168
Total business-type activities	<u>\$</u>	<u>\$ 235,000</u>	<u>\$2,883</u>	<u>\$ 232,117</u>	<u>\$ 7,168</u>

WEST BRANCH TOWNSHIP

NOTES TO FINANCIAL STATEMENTS - Continued MARCH 31, 2005

NOTE F - LONG-TERM DEBT - Continued

On May 19, 2004 the Marquette County Solid Waste Management Authority Board agreed to absorb the May, 2004 installment of \$6,492 of the 1989 bond issue. In 2005 they also agreed to absorb the May, 2005 installment amount of \$6,609.

Annual debt service requirements to maturity for the above obligations are as follows:

Year End March 31	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 3,676	\$ 1,444	\$ 5,120	\$ 7,168	\$ 11,443	\$ 18,611
2007	4,064	1,132	5,196	7,534	11,076	18,610
2008	4,354	813	5,167	7,920	10,691	18,611
2009	4,741	479	5,220	8,325	10,286	18,611
2010	5,224	131	5,355	8,751	9,860	18,611
2011-2015				50,946	42,108	93,054
2016-2019				141,473	26,010	167,483
Total	<u>\$ 22,059</u>	<u>\$ 3,999</u>	<u>\$ 26,058</u>	<u>\$ 232,117</u>	<u>\$ 121,474</u>	<u>\$ 353,591</u>

NOTE G - RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employees injuries (workers' compensation). The Township maintains insurance coverage through the Michigan Township Participating Plan. This Plan operates as an insurance purchasing pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this coverage in any of the past three years.

NOTE H - EMPLOYEE RETIREMENT PLAN

The Township has a defined contribution retirement plan through Municipal Retirement Systems, Inc. covering all elected and appointed officials, whom are at least 18 years of age. The Township contributes 6% of covered employees compensation. The employee contributes 2% of covered compensation. The Township's contributions for all funds amounted to \$1,050 for the year ended March 31, 2005.

WEST BRANCH TOWNSHIP

NOTES TO FINANCIAL STATEMENTS - Continued MARCH 31, 2005

NOTE I – JOINT OPERATIONS

The Townships of West Branch and Skandia jointly administer expenses for fire department, first responders team, landfill facility, recreation facilities and road construction projects. The Townships of West Branch and Forsyth jointly administer expenses for operations at the former KI Sawyer Air Force Base which include fire protection and recreation. Annual budgets are prepared and submitted to the Township boards for approval. Each Township makes periodic contributions to a joint operating account and all joint expenses are paid from the account. A summary of unaudited activity for each of the joint operations is as follows:

	<u>Skandia/ West Branch Joint Operations</u>	<u>Sawyer Operations Authority</u>
Revenues:		
Skandia Township	\$ 86,856	\$
West Branch Township	86,856	29,824
Forsyth Township		46,334
Charges for services	1,000	
Other	<u>8,499</u>	<u>59,141</u>
Total revenues	<u>\$183,211</u>	<u>\$135,299</u>
Expenditures:		
Administration	\$ 2,724	\$ 52,514
Fire department	120,307	
Building and grounds	8,088	
Transfer facility	65,089	
First responders	21,035	
Census		52,475
Public safety		6,894
Learning center		9,684
Recreation	<u>7,392</u>	<u>17,768</u>
Total expenses	<u>\$224,635</u>	<u>\$139,335</u>

NOTE J – FUND DEFICIT

West Branch Township has an accumulated retained earnings deficit in its' proprietary fund—Community Center of \$105,339. A deficit elimination plan will be filed with the Local Audit and Finance Division.

REQUIRED SUPPLEMENTAL INFORMATION

WEST BRANCH TOWNSHIP

REQUIRED SUPPLEMENTAL INFORMATION GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED MARCH 31, 2005

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Revenues				
Taxes:				
Current tax levy	\$ 21,000	\$ 21,000	\$ 21,281	\$ 281
Administration fees	3,166	3,166	4,387	1,221
Total taxes	24,166	24,166	25,668	1,502
Licenses and permits			5,551	5,551
State grants:				
State revenue sharing	132,000	132,000	128,330	(3,670)
Metro authority	1,500	1,500	1,497	(3)
Swamp taxes			1,068	1,068
Total state grants	133,500	133,500	130,895	(2,605)
Charges for services:				
General	2,000	2,000	187	(1,813)
Zoning	150	150	100	(50)
Cemetery	200	200	600	400
Tipping fees	500	500	2,203	1,703
Transfer facility punch cards	2,500	2,500	2,219	(281)
Total charges for services	5,350	5,350	5,309	(41)
Interest and rents:				
Interest	18,000	18,000	23,080	5,080
Hall rental	200	200	50	(150)
Total interest and rents	18,200	18,200	23,130	4,930
Other revenue:				
Use of fund balance	80,839	80,839		(80,839)
SOA reimbursement for wages	46,600	46,600	500	(46,100)
Other	3,000	267,000	4,560	(262,440)
Concessions			379	379
Refunds and reimbursements			15,033	15,033
Total other	130,439	394,439	20,472	(373,967)
Total revenues	\$ 311,655	\$ 575,655	\$ 211,025	\$ (364,630)

WEST BRANCH TOWNSHIP

REQUIRED SUPPLEMENTAL INFORMATION GENERAL FUND

BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED MARCH 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
General Government				
Legislative				
Salary	\$ 4,800	\$ 4,800	\$ 4,866	\$ 66
Office manager	4,800	4,800	4,744	(56)
Meeting and workshop wages	500	500	1,576	1,076
FICA	2,500	2,500	2,479	(21)
Medicare	700	700	710	10
Pension	1,200	1,200	1,050	(150)
Registrations	200	200	390	190
Mileage	100	100	96	(4)
Lodging and meals	100	100	1,440	1,340
Supplies	1,500	1,500	2,462	962
Professional services	1,500	1,500	3,454	1,954
Insurance	8,000	8,000	7,550	(450)
Senior activities	800	800		(800)
Printing and publishing	500	500	79	(421)
Repair and maintenance	300	300	63	(237)
Miscellaneous	250	250	3,847	3,597
Manuals and magazines	50	50	375	325
Dues	1,200	1,200	1,191	(9)
Tipping fees	500	500	3,596	3,096
Capital outlay	250	250	6,029	5,779
Bond payment	3,000	3,000		(3,000)
Total legislative	<u>32,750</u>	<u>32,750</u>	<u>45,997</u>	<u>13,247</u>
Executive - supervisor:				
Salary	8,400	8,605	8,400	(205)
Meetings and workshop wages	<u>300</u>	<u>300</u>	<u>490</u>	<u>190</u>
Total executive	<u>8,700</u>	<u>8,905</u>	<u>8,890</u>	<u>(15)</u>

WEST BRANCH TOWNSHIP

REQUIRED SUPPLEMENTAL INFORMATION GENERAL FUND

BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED MARCH 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
General Government (Continued)				
Clerk				
Salary	\$ 8,400	\$ 9,800	\$ 8,400	\$ (1,400)
Deputy	850	850	1,430	580
Meetings and workshop wages	1,150	1,150	1,220	70
Registrations	250	250	780	530
Mileage	200	200	113	(87)
Lodging and meals	400	400	571	171
Total clerk	<u>11,250</u>	<u>12,650</u>	<u>12,514</u>	<u>(136)</u>
Board of review				
Salary	600	600	710	110
Registrations	<u>200</u>	<u>200</u>		<u>(200)</u>
Total board of review	<u>800</u>	<u>800</u>	<u>710</u>	<u>(90)</u>
Treasurer				
Salary	8,400	9,300	8,389	(911)
Extra tax collection	1,000	1,000	999	(1)
Deputy	2,000	2,000	2,825	825
Meeting and workshop wages	500	500	690	190
Registrations	300	300	440	140
Mileage	300	300	142	(158)
Lodging and meals	250	250	1,176	926
Supplies	400	400	345	(55)
Professional	<u>800</u>	<u>800</u>		<u>(800)</u>
Total treasurer	<u>13,950</u>	<u>14,850</u>	<u>15,006</u>	<u>156</u>

WEST BRANCH TOWNSHIP

REQUIRED SUPPLEMENTAL INFORMATION GENERAL FUND

BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED MARCH 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
General Government (Continued)				
Assessor/equalization:				
Salary	\$ 5,400	\$ 5,400	\$ 5,700	\$ 300
Professional services			609	609
Printing and publishing	<u>1,600</u>	<u>3,600</u>	<u>2,182</u>	<u>(1,418)</u>
Total assessor/equalization	<u>7,000</u>	<u>9,000</u>	<u>8,491</u>	<u>(509)</u>
Elections:				
Salary	1,000	2,551	1,921	(630)
Supplies	300	300	423	123
Professional services	750	750	772	22
Miscellaneous	<u>50</u>	<u>50</u>	<u>116</u>	<u>66</u>
Total elections	<u>2,100</u>	<u>3,651</u>	<u>3,232</u>	<u>(419)</u>
Township hall and other property:				
Salary	2,000	2,000	1,716	(284)
Supplies	500	500	2,566	2,066
Professional services	500	500	1,213	713
Phone	1,200	1,200	1,445	245
Lights	1,000	1,200	1,171	(29)
Heating	2,000	2,000	1,845	(155)
Internet services	280	280	263	(17)
Repair and maintenance	500	500	3,297	2,797
Miscellaneous			800	800
Land improvements	200	200		(200)
Building improvements	<u>200</u>	<u>245,200</u>		<u>(245,200)</u>
Total township hall and other property	<u>8,380</u>	<u>253,580</u>	<u>14,316</u>	<u>(239,264)</u>
Cemetery:				
Salary	1,000	1,000	732	(268)
Supplies	400	400	370	(30)
Lights	100	100	100	
Repair and maintenance	<u>250</u>	<u>250</u>		<u>(250)</u>
Total cemetery	<u>1,750</u>	<u>1,750</u>	<u>1,202</u>	<u>(548)</u>
Total general government	<u>86,680</u>	<u>337,936</u>	<u>110,358</u>	<u>(227,578)</u>

WEST BRANCH TOWNSHIP
REQUIRED SUPPLEMENTAL INFORMATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED MARCH 31, 2005

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Public Works				
Streets:				
Salary	\$ 150	\$ 150	\$ 5	\$ (145)
Lights	1,550	5,450	5,031	(419)
Repair and maintenance	250	250	122	(128)
Total public works	1,950	5,850	5,158	(692)
Community and Economic Development				
Community planning and zoning:				
Salary	3,000	3,000	3,497	497
Meeting and workshop wages	2,250	2,250	1,260	(990)
Registrations	200	200	150	(50)
Mileage	100	100	328	228
Supplies	50	50	37	(13)
Professional services			2,794	2,794
Printing and publishing	300	300	425	125
Total community and economic development	5,900	5,900	8,491	2,591
Recreation and Culture				
Parks and recreation:				
Contract for services	8,000	13,286	6,135	(7,151)
Ski Hill				
Utilities			76	76
Capital outlay			6,710	6,710
Newsletter				
Postage	1,000	1,000	894	(106)
Publisher	1,000	1,000	750	(250)
Printing and publishing	1,500	1,500	1,596	96
Total recreation and culture	11,500	16,786	16,161	(625)
Other				
Joint operations - Skandia	66,733	92,733	86,856	(5,877)
- Sawyer Operations Authority	41,502	41,852	47,405	5,553
Loss on investment			11,358	11,358
Total other	108,235	134,585	145,619	11,034
Total expenditures	214,265	501,057	285,787	(215,270)
Net Change in Fund Balance	97,390	74,598	(74,762)	(149,360)
Fund Balance - April 1, 2004	541,631	541,631	541,631	
Fund Balance - March 31, 2005	<u>\$639,021</u>	<u>\$616,229</u>	<u>\$466,869</u>	<u>\$ (149,360)</u>

OTHER SUPPLEMENTAL INFORMATION

WEST BRANCH TOWNSHIP

**OTHER SUPPLEMENTAL INFORMATION
ALL AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED MARCH 31, 2005**

Tax Collection Fund

	Balance April 1, 2004	Additions	Deductions	Balance March 31, 2005
Assets				
Cash	<u>\$ 8,803</u>	<u>\$ 424,284</u>	<u>\$ 427,135</u>	<u>\$ 5,952</u>
Liabilities				
Interfund payables	\$ 5,895	\$ 46,796	\$ 49,860	\$ 2,831
Due to other governmental units	<u>2,908</u>	<u>377,488</u>	<u>377,275</u>	<u>3,121</u>
Total liabilities	<u>\$ 8,803</u>	<u>\$ 424,284</u>	<u>\$ 427,135</u>	<u>\$ 5,952</u>

COWELL & LaPOINTE, PC

CERTIFIED PUBLIC ACCOUNTANTS

ROBERT K. COWELL, CPA

GLORIA J. LaPOINTE, CPA, CFP

101 SOUTH FRONT STREET

SAVINGS BANK BUILDING, SUITE 309

MARQUETTE, MICHIGAN 49855

906-228-5150

MEMBER OF: THE AMERICAN INSTITUTE AND THE MICHIGAN ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
West Branch Township
Marquette County, Michigan

We have audited the financial statements of West Branch Township, for the year ended March 31, 2005 and have issued our report thereon dated November 17, 2005. Professional standards require that we provide you with the following information related to our audit.

OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS

As stated in our engagement letter dated June 16, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of West Branch Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

SIGNIFICANT ACCOUNTING POLICIES

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by West Branch Township are described in Note A to the financial statements. We noted no transactions entered into by West Branch Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. These estimates are relatively insignificant in relation to the financial statements taken as a whole.

LETTER ON ANNUAL REPORT

Page Two

SIGNIFICANT AUDIT ADJUSTMENTS

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by West Branch Township that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements.

Our audit adjustments consisted primarily of reclassification entries and year-end journal entries. These entries, individually, and in the aggregate, have a significant effect on the financial reporting process.

DISAGREEMENTS WITH MANAGEMENT

For the purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to West Branch Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

We encountered no significant difficulties in dealing with management in performing and completing our audit.

This information is intended solely for the use of the West Branch Township Board of Trustees management and should not be used for any other purpose.

Very truly yours,

Cowell & Laporte PC
Certified Public Accountants

November 17, 2005

COWELL & LaPOINTE, PC
CERTIFIED PUBLIC ACCOUNTANTS
ROBERT K. COWELL, CPA
GLORIA J. LaPOINTE, CPA, CFP

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Board of Trustees
West Branch Township
Marquette County, Michigan

MANAGEMENT LETTER ON ANNUAL REPORT

In connection with the examination of the financial statements of West Branch Township for the year ended March 31, 2005, we submit the following comments and recommendations:

BUDGETS

The Uniform Budget and Accounting Act, PA2 of 1968, as amended, (MCL 141.421, et seq.), provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. During the year, West Branch Township incurred expenditures in certain budgeted funds, which were in excess of the amounts appropriated, as follows:

General Fund	
Legislative	\$13,247
Treasurer	156
Community and economic development	2,591
Other	11,034

BANK ACCOUNT RECONCILIATIONS

Bank reconciliations done by the Treasurer and Clerk did not agree at the end of every month. There were different outstanding checks listed and the balances did not agree to the balance sheet. Various items that caused these discrepancies included the following:

1. The date of a check was after the end of the year but cleared the bank before the end of the year. Checks should be dated the day they are to be signed for disbursement to the vendor.
2. Items were listed as outstanding deposits and were either duplicate items or had no backup for the entry. All entries for bank deposits should be supported by deposit slips and receipts and should appear on the bank reconciliation as of the date deposited.
3. Checks had been voided in a prior period causing prior period financial information to be incorrect. To eliminate changes in financial information in a prior period when a check needs to be voided we suggest you void the check through the use of a general journal entry instead of the void check feature in QuickBooks.

We suggest you implement these procedures and have the bank accounts reconciled between the Treasurer and Clerk before the monthly meetings.

WEST BRANCH TOWNSHIP MANAGEMENT LETTER

Page Two

CASH DISBURSEMENTS

You have been entering your invoices through an enter bills feature and subsequently paying the invoices through the pay bills feature in QuickBooks. This keeps your records on an accrual basis of accounting. Several older bills have not been paid through this procedure causing your accounts payable to be misstated. An easier method of paying invoices would be to use the write check feature. This would be a one step process versus the two step process you are currently using. Your records would be on a cash basis of accounting. This should improve accuracy and save time in recording disbursements. Please keep in mind if you change to this procedure there will be adjustments by your auditor to bring the books to the accrual basis at the end of each year and will need to be taken into account if you amend your budget before the end of the year.

The examination of selected disbursements indicated a number of invoices that could not be located after they were paid. This indicates that internal control procedures are not being followed. Original invoices should accompany the checks when they are signed. After signature, the original invoices should be filed in a paid invoice file for future reference.

Selected disbursements also revealed different dates in your QuickBooks programs versus the dates on the canceled checks when they came back from the bank. This is a negative feature of the QuickBooks program since dates can be changed after a check is written. To help prevent this from occurring we suggest you compare the dates on the canceled checks from the bank with the dates on your bank reconciliation.

GOVERNMENTAL ACCOUNTING

Local governmental units utilize fund accounting procedures. In addition, there are uniform accounting procedures and uniform chart of accounts to be followed that are set up by the State of Michigan. There were many instances where these guidelines were not followed in keeping your records such as transactions recorded in other funds, incorrect recording of use of fund balance, and misclassifications.

We suggest you familiarize yourselves with these items and refer to them as needed. They are available on the internet at www.michigan.gov/treasury under local governments. In addition, there are seminars offered through the Michigan Townships Association that can help in recording transactions and utilizing fund accounting.

PAYROLL TAX DISBURSEMENTS AND REPORTING

QuickBooks has a unique feature of accumulating payroll tax liabilities as you write paychecks and paying the payroll taxes. In order for this feature to work all payroll tax payments must be paid through the pay payroll tax liabilities part of the program instead of the write checks feature. We suggest you follow this feature to improve accuracy of payroll tax payments.

WEST BRANCH TOWNSHIP MANAGEMENT LETTER

Page Three

PAYROLL TAX DISBURSEMENTS AND REPORTING - Continued

When we tried to reconcile wage disbursements with the reporting of wages to the Internal Revenue Service there were several Form 941 forms that could not be found. These forms should be kept on file for at least seven years to comply with recordkeeping requirements.

PENSION PLAN REPORTING

Municipal Retirement Systems, Inc. asks for an estimate of covered payroll for eligible employees. The premium payment is based on this estimate. If the actual covered payroll is different from the estimate as it was for the fiscal year ending March 31, 2005 the company needs to be notified of the change so the proper amount can be remitted for the pension plan contributions for the employer and employee.

BANK TRANSFERS

There were several transfers of funds between bank accounts during the year which were done by the Treasurer. We suggest these transfers be approved by the Board prior to making the transfers. This would insure that funds are not being transferred inappropriately and provide documentation of approval for the transfers.

COMMUNITY CENTER RECEIPTS AND DEPOSITS

Written procedures need to be established for community center receipts and deposits. When we examined several receipts and deposits we could not trace amounts from the cash register tape to the general ledger accounts. There was not a definite procedure for issuing receipts and providing for recording by the Treasurer and Clerk. We suggest you write and follow these procedures for accuracy in recording and monitoring community center receipts.

DEFICIT RETAINED EARNINGS

The Community Center proprietary fund incurred a deficit unreserved retained earnings balance of \$105,339. Public Act 275 of 1980 requires the filing of a deficit elimination plan within 90 days after the end of the previous fiscal year in which the deficit occurred. A resolution needs to be included with the deficit elimination plan that explains how you will eliminate the deficit (sample attached).

BANK TRANSFERS

There were several transfers of funds between bank accounts during the year which were done by the Treasurer. We suggest these transfers be approved by the Board prior to making the transfers. This would improve the internal controls regarding disbursement of funds.

**WEST BRANCH TOWNSHIP
MANAGEMENT LETTER**

Page Four

We want to thank Township personnel for their help during the audit. If we can be of assistance in the implementation of these recommendations or any other services as they may arise, please contact us.

Cowell & Galante PC

Certified Public Accountants

November 17, 2005

Deficit Elimination Plan Notes

Each local unit of government which ends a fiscal year with a deficit in any of its funds is required by statute (Public Act 275 of 1980) to file a financial plan to correct the deficit condition within 90 days after the beginning of the next fiscal year. A deficit is quite often not recognized until the audit is completed. In those instances, a Deficit Elimination Plan should accompany the audit when filed with Department of Treasury or soon thereafter. The plan is reviewed as part of the minimum review process. Deficit is defined to be an excess of liabilities and reserves (fund balance reserves) of a fund over its assets as of the end of the report year. Failure to file an acceptable deficit elimination plan will cause a local unit of government not to receive qualifying status when borrowing money. The deficit elimination plan must be approved by the legislative body of the local unit and a copy of the resolution must accompany the plan when filed with Treasury. A plan generally should be for one year, but in no case be longer than five years. However some deficits may last longer than 5 years, if related to special assessments that are outstanding for more than 5 years. When the deficit elimination plan is approved, the local unit will receive a certification letter signed by the Director as representative for the Deputy State Treasurer. The period of certification runs from the date in which the letter is issued to the next fiscal year audit report issue date (showing the deficit has been eliminated). Note: The certification letter is needed in order for the municipality to receive qualifying status in issuing municipal securities.

• CURRENT REFERENCE MATERIAL

- Public Act 275 of 1980—A local unit, which ends a fiscal year with a deficit in any of its funds, must file a financial plan to correct the deficit condition within 90 days after the beginning of the next fiscal year. Amounts equal to 25% of the payments of State revenue sharing to the local may be withheld until a plan is submitted and certified.
- The Bulletin for Audits of Local Units of Government in Michigan requires the CPA to disclose in the audited financial statements, notes to the statements or in the comments and recommendations letter material deficits.
- GASB Codification 2300.106 requires that the notes to the financial statements disclose all material instances where there is a deficit of fund balance/equity/net assets in an individual fund that is not otherwise visible on the face of the basic financial statements.
- Public Act 34 of 2001—Revised Municipal Finance Act—Failure to have an approved deficit elimination plan on file will cause a local unit of government to not receive qualifying status when borrowing money and possible addition cost to the unit of government.
- Public Act 72 of 1990—Local Government Fiscal Responsibility Act—Failure to submit or implement a deficit elimination plan may be cause to begin implementation of a preliminary review under this act by the State Treasurer to determine if the existence of a local government financial problem.

• IMPORTANT REMINDERS

- The local unit of government should file a Deficit Elimination Plan with the Department of Treasury as soon as they become aware of the deficit.
- The legislative body of the local unit of government must approve all Deficit Elimination Plans and a copy of the resolution must accompany the Plan showing approval.
- A Deficit Elimination Plan cannot be an operating transfer from a fund that has a deficit fund balance.
- A loan from the General Fund or any other fund will not eliminate a deficit.
- A note to the financial statements will normally not be accepted as a deficit elimination plan.
- A deficit elimination plan should generally be for one year.
- For deficits that will be more than one year to eliminate, the deficit elimination plan is an annual filing requirement. The initial year plan does not grant issuance of a certification beyond one year. The next year, a deficit elimination plan will also have to be filed, if the deficit continues to exist and actual does not conform to what (or come close to what was) budgeted. In no case should the plan be greater than five years.
- If the deficit elimination plan requires longer than 1 year, or if the plan proves to be incorrect (there is an error in a plan) in any year, a new deficit elimination plan will have to be filed and approved by the Department of Treasury.

ACCEPTABLE DOCUMENTATION (Showing evidence to support the DEP)

1. Current trial balances or interim financial statements showing the deficit eliminated.
2. Certified copies of Board/Council resolutions approving operating transfers (describing funds and amounts) and a copy of the journal entry showing that the transfer has been made.
3. A projected budget, approved by the legislative body, itemizing yearly revenues (by source), expenditures/expenses (by activity), and changes in fund balance deficit until eliminated (usually a five-year limit for an approved plan; must be amended if the deficit increases or plan is not otherwise followed).
4. For a tax increment finance or downtown development authorities, the ordinance or plan approving their existence is acceptable if it shows the flow of revenues and priority of expenditures that would be satisfy a deficit elimination plan for these funds as indicated in # 3 above.
5. The municipality must provide some evidence that long-term receivables, regardless of type, are for a period longer than 5 years. The resolution or other legal document (assessment contract) that creates the receivable would suffice. For drain or other special assessment-type funds that have deficits which are not "covered" on the balance sheet by a long-term receivable and deferred revenue, a letter from the Drain Commissioner itemizing assessment levies which could not be recognized for the audited fiscal year due to generally accepted accounting principles will suffice as a deficit elimination plan.
6. A municipality has reserves for encumbrances that exceed the amount of the deficit, there is no plan necessary. This has, in the past, only been found in deficits in Workers Compensation Funds.
7. In a special revenue fund, if the reserved for inventories exceeds the amount of the deficit, a plan is not required. This exception noted would only apply if the municipality was following the consumption method of accounting for inventory. If the purchase method was followed, the reserve created can only be offset against the asset.

SOME PROBLEM AREAS: (With Deficit Elimination Plans submitted to our office in the past)

- A local unit filed a Deficit Elimination Plan, which eliminated the deficit through the issuance of bonds. The Department of Treasury certification was contingent upon the sale of bonds, which were never sold. Certification was revoked and a new plan was required.
- A budget was submitted as a Deficit Elimination Plan, but no evidence of legislative body approval was included.
- A current trial balance was used as a Deficit Elimination Plan, but the format showed a beginning fund balance which did not agree with the prior year's ending fund balance figure (e.g., showed a beginning surplus fund balance). Or the current surplus of revenues over expenditures was not enough to cover the beginning fund balance deficit.
- A description of the Deficit Elimination Plan was sent with no specific evidence or documentation to support it. For example operating transfer was proposed, but a copy of the legislative body resolution approving the transfer to eliminate the deficit or a current trial balance showing the effect of the transfer was not included.

The individual municipality develops each deficit elimination plan. Once Department of Treasury has received the plan, we may request specific additional information to substantiate the municipality's original plan. The audit firm hired by the municipality may provide advice; however can not issue a deficit elimination plan.

Also note:

For proprietary funds:

With GASB 34 now requiring proprietary funds to report, in the fund basis statements, fund equity in the same three categories used in the government-wide financial statements, a deficit condition may now be reported that was previously hidden. This does not mean that a municipality failed to comply with the requirement to submit a deficit elimination plan in prior years. A deficit elimination plan would be required, going forward.

For a municipality that prepares its financial statements on a basis of accounting other than generally accepted accounting principles (cash basis or regulatory basis):

The definition of a deficit, as stated in paragraph 1, is based on reported liabilities and reserves over reported assets. There is no requirement that such municipalities measure the existence of a deficit using generally accepted accounting principles.

- When a deficit elimination plan is approved, the local unit will receive a certification signed by the Director as representative for the Deputy State Treasurer.
- State revenue sharing could be withheld if a deficit elimination plan is not filed.
- Plans not filed and certified will probably delay a filing with Municipal Finance (qualifying status)

For reporting fund deficits, the term "fund deficit" is defined as:

- for governmental fund types and fiduciary fund types--unreserved portion of fund balance.
- for proprietary fund types--unrestricted net assets.

SAMPLE LEGISLATIVE BODY RESOLUTION AND MULTIPLE YEAR DEFICIT ELIMINATION PLAN

WHEREAS, (Sample Unit) Park Fund had a \$175,000 deficit fund balance on December 31, 2002; and

WEREAS, Act 275 of the Public Acts of 1980 requires that a Deficit Elimination Plan be formulated by the local unit of government and filed with the Michigan Department of Treasury;

NOW THEREFORE, IT IS RESOLVED that the (Sample Unit) legislative body adopts the following as the (Sample Unit) Park Fund Deficit Elimination Plan:

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Fund Balance (Deficit)				
January 1	\$ (175,000)	\$ (169,000)	\$ (93,000)	\$ (17,000)
Revenue				
Property Taxes	60,000	75,000	76,500	78,000
State Grants	95,000			
Charge for Services	95,000	96,000	96,000	99,500
Other	1,000	1,000	1,500	1,400
General Fund				
Appropriation	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	
Total Revenue	206,000	222,000	225,000	178,900
Expenditures				
Salaries and Wages	115,000	120,500	122,000	124,000
Supplies	15,000	15,500	16,000	16,000
Equipment Repair	4,000	4,000	4,500	4,500
Contractual Services	5,000	5,000	5,500	5,500
Other	1,000	1,000	1,000	1,200
Capital Outlay	<u>60,000</u>			
Total Expenditures	200,000	146,000	149,000	159,700
Fund Balance (Deficit)				
December 31	<u>\$ (169,000)</u>	<u>\$ (93,000)</u>	<u>\$ (17,000)</u>	<u>\$ 2,200</u>

BE IT FURTHER RESOLVED that the (Sample Unit) (Official's title) submit the Deficit Elimination Plan to the Michigan Department of Treasury for certification.

ADD CLERK'S CERTIFICATION